

Message Text

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44

ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04

AGR-05 NSC-05 SS-15 XMB-02 TAR-01 L-02 H-02 /109 W

----- 027060

R 281649Z MAR 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 6265

INFO AMEMBASSY CANBERRA

USMISSION GENEVA

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 07946

E.O. 11652: N/A

TAGS: ETRD, OECD, AS

SUBJECT: TCWP CONSULTATIONS ON AUSTRALIAN TRADE

ACTIONS ON TEXTILES, CARS, SHOES, STEEL,
AND APPLIANCES

REF: A. STATE 055008

B. OECD PARIS 05742

1. SUMMARY: TCWP MADE INTENSIVE EXAMINATION OF AUSTRALIAN TEMPORARY PROTECTION POLICY AND RECENT SPECIFIC INCREASES IN IMPORT RESTRICTIONS ON MARCH 24-25. AUSTRALIANS EMPHASIZED LIBERALIZING ACTIONS TAKEN IN 1973-74 AND FAILURE OF IMPORT ORDERS TO ADJUST RAPIDLY TO DOWNTURN IN AUSTRALIAN ECONOMY AS MAIN FACTORS CAUSING DIFFICULTY IN PARTICULAR INDUSTRIES. THEY MAINTAINED THAT ACTIONS JUSTIFIED BY RAPID INCREASES IN IMPORTS THREATENING SERIOUS UNEMPLOYMENT PROBLEMS IN PARTICULAR INDUSTRIES, THAT NO VIOLATION OF TRADE PLEDGE WAS INVOLVED, AND THAT THERE HAD BEEN NO LIMITED OFFICIAL USE

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BASIC CHANGE IN AUSTRALIAN TRADE POLICIES. OTHER DELS

EXPRESSED SERIOUS CONCERN THAT AUSTRALIAN TRADE POLICY HAD INDEED CHANGED, AND THAT SERIES OF RESTRICTIVE ACTIONS TAKEN AS A WHOLE COULD HAVE DANGEROUS SNOWBALL EFFECT ON WORLD TRADE PSYCHOLOGY. GROUP AGREED TO KEEP AUSTRALIAN SITUATION IN MIND AND TO LEAVE OPEN POSSIBILITY OF FURTHER REVIEW AS DEVELOPMENTS MIGHT WARRANT. END SUMMARY.

2. TCWP MET UNDER REGULAR CONSULTATION PROCEDURES OF TC AND ON BASIS US PROPOSAL FOR INCREASED USE OF CONSULTATION MECHANISM TO SUPPORT OBJECTIVES OF TRADE PLEDGE (REF B) ADOPTED BY TRADE COMMITTEE MARCH 3-4. AUSTRALIAN DEL (B.F. MEERE, DEPT. OF OVERSEAS TRADE) MADE OPENING STATEMENT GIVING BACKGROUND ON OPEN PROCEDURES FOLLOWED IN TEMPORARY PROTECTION ACTION AND ON GENERAL ECONOMIC SITUATION IN AUSTRALIA. HE SAW KEY FACTORS BEHIND PRESENT DIFFICULT SITUATION IN A NUMBER OF INDUSTRIES AS MOVEMENTS TOWARDS MORE OPEN ECONOMY UNDERTAKEN IN LAST TWO YEARS, I.E. TARIFF REDUCTIONS AND REVALUATIONS, AND FACT THAT DURING BOOM AUSTRALIAN FIRMS PLACED LARGE ORDERS FOR IMPORTS WHICH THEY WERE RELUCTANT TO BREAK NOW THAT ECONOMY HAD SLOWED, WITH RESULT THAT DOMESTIC PRODUCERS COULD NOT SELL THEIR PRODUCTS. MEERE ALSO NOTED CURRENT LEVEL OF UNEMPLOYMENT HIGH IN HISTORICAL TERMS, AND STATED THAT RECENT RESTRICTIVE ACTIONS AFFECTED NO MORE THAN SIX PERCENT OF TOTAL IMPORTS. HE CLAIMED THAT RESTRICTIONS GENERALLY ALLOWED IMPORTS TO ENTER AUSTRALIA AT RATES GREATER THAN HISTORICAL AVERAGE.

3. US DEL MADE STATEMENT ALONG LINES REF A, AND NUMBER OF OTHER DELS EXPRESSED SERIOUS CONCERN AT AUSTRALIAN ACTIONS AND FEAR THAT GENERAL CHANGE IN TRADE POLICY HAD OCCURRED. SWEDEN STATED FLATLY THAT AUSTRALIAN ACTIONS NOT IN ACCORD WITH SPIRIT OF TRADE PLEDGE. VIRTUALLY ALL DELS STRESSED POTENTIAL FOR CHAIN REACTION OR SNOWBALL EFFECT FROM AUSTRALIAN MEASURES, AND SWISS SAID IN THEIR VIEW UNCOMPETITIVENESS OF AUSTRALIAN INDUSTRY WAS DUE TO INTERNAL PROBLEMS RATHER THAN IMPORTS. ALTHOUGH WORKING PARTY APPRECIATED THAT ACTIONS WERE TEMPORARY, LIMITED OFFICIAL USE

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IT WAS RECOGNIZED THAT EVENTUAL REPORTS BY INDUSTRIES ASSISTANCE COMMISSION COULD WELL RATIFY EXISTING RESTRICTIONS PERMANENTLY. IN RESPONSE TO QUESTIONS, AUSTRALIANS PROVIDED INFORMAL LIST OF TEN ITEMS CURRENTLY UNDER CONSIDERATION FOR TEMPORARY ASSISTANCE (SEE SEPTTEL), AND US AND CANADA EXPRESSED PARTICULAR CONCERN ABOUT POSSIBILITY THAT ONLY TIP OF AUSTRALIAN PROTECTION ICEBERG NOW SHOWING.

4. IN DISCUSSIONS ON SPECIFIC MEASURES, SEVERAL DELS
MENTIONED PROBLEMS CAUSED FOR THEM BY ADMINISTRATION OF
AUSTRALIAN QUOTAS WHICH IN SOME CASES ESPECIALLY HURT
TRADE NOT FINANCED BY IRREVOCABLE LETTERS OF CREDIT.
FRENCH AND SWISS ALSO URGED AUSTRALIANS TO APPLY MEA-
SURES IN SUCH A WAY AS TO ALLOW IN HIGHER PRICED GOODS

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WHICH THEY SUPPLIED, WHILE STILL KEEPING OUT LOW PRICED
ITEMS. AUSTRALIANS INDICATED THAT HIGHER PRICED ITEMS,
OFTEN THOSE PRODUCED IN LDC'S, WERE ALSO PROBLEM IN
SEVERAL SECTORS. IN RESPONSE TO US QUESTION ON TEXTILE
ACTIONS, AUSTRALIAN DEL IMPLIED NO OVER-QUOTA IMPORTS
EXPECTED AND THAT TARIFF QUOTAS WERE ESSENTIALLY
DE FACTO QR'S. HE ALSO INDICATED AUSTRALIA HAD MADE NO
OFFER TO CONSULT ON MOST TEXTILE ITEMS, SINCE THEY WERE
NOT BOUND IN GATT, BUT THAT GOA WOULD NOT REFUSE TO

CONSULT IF ASKED. JAPANESE MADE NO COMMENTS ON TEXTILE
ISSUE.

5. WORKING PARTY CONCLUSIONS AND FURTHER STEPS: TCWP
AGREED THAT AUSTRALIAN ACTIONS HAD CAUSED CON-
CERN AMONG OTHER MEMBER DELS. WORKING PARTY TOOK NO
POSITION ON CONSISTENCY OF AUSTRALIAN MEASURES WITH
TRADE PLEDGE, BUT AGREED, REGARDLESS OF CONSISTENCY,
THAT THESE ACTIONS SHOULD NOT SERVE AS JUSTIFICATION
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FOR ANY SIMILAR ACTIONS WHICH OTHER GOVERNMENTS MIGHT
CONTEMPLATE. TCWP AGREED ON VALUE OF CLOSE CONSULTA-
TIONS ON SUCH MEASURES TO REDUCE DIRECT DAMAGE CAUSED
BY RESTRICTIVE ACTIONS AND POTENTIAL FOR SNOWBALL EFFECT
AND DAMAGE TO TRADE PLEDGE. WORKING PARTY AGREED TO
KEEP WATCHING BRIEF ON AUSTRALIAN SITUATION AND TO LEAVE
OPEN POSSIBILITY OF FURTHER CONSULTATIONS IF DEVELOP-
MENTS IN AUSTRALIAN TEMPORARY OR LONGER TERM PROTECTION
POLICY MIGHT WARRANT IT.

6. MISSION COMMENT: WE CONSIDER AUSTRALIAN CONSULTA-
TIONS EXTREMELY SUCCESSFUL IN TERMS OF REJUVENATING TC
CONSULTATION PROCEDURES AND PROVIDING WHAT WAS ESSENT-
IALLY "MINI-REVIEW" OF AUSTRALIAN TRADE POLICY. AUS-
TRALIAN OFFICIALS CANNOT BUT BE THOROUGHLY AWARE, AFTER
10 HOUR SESSION OF TCWP, OF CONCERNS OF OTHER OECD
MEMBERS ABOUT TREND IN THEIR TRADE POLICY, AND HOPEFULLY
THIS WILL INFLUENCE THEIR DECISIONS IN THIS AREA IN THE
FUTURE.
TURNER

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